

**Attention:  
Director  
Corporate Tax Policy  
Unit Treasury  
Langton Cres  
Parkes ACT 2600**

By email: [frankeddistconsult@treasury.gov.au](mailto:frankeddistconsult@treasury.gov.au)

Dear Director,

Thank you for the opportunity to submit a response to the consultation on the proposed legislation relating to Franked Distributions and Capital Raising.

I would like to have recorded that I object to the proposed legislation changes on both my own and my numerous client's behalf.

I believe the draft legislation is inequitable to Australian companies and shareholders, and it could inadvertently impact situations of legitimate company operations.

The draft legislation fails to recognise the fundamental principle underlying the franking regime and the reason for its creation, the avoidance of double taxation on company earnings. The cumulative tax paid on all dividends should not exceed the tax rate of final investor. To do so is to unfairly impact investors at all levels of Australian society, cause leakages of working and investment capital vital for Australian business growth. This growth ultimately supports the Australian economy and wider tax base.

The Franked Distribution and Capital Raising draft legislation, if widely applied, will lead to the demise of the franking system. It will stop Australian companies who issue new shares under a Dividend Reinvestment Plan (DRP) from paying franked dividends and significantly increase the cost of capital for all franked dividend paying Australian companies. It will also risk the stability and integrity of the Australian banking system by inhibiting effective capital raising during challenging economic periods such as the start of the coronavirus pandemic.

If passed, its application would also unfairly burden Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty. It has long been a recognised principle that the Australian Tax Office does not seek to enact legislation retrospectively. Continuing this principle provides certainty to Australian taxpayers and their advisers in the administration of their affairs. To change things retrospectively undermines confidence in the regulatory environment at numerous levels from the professions to their clients. This is not a positive environment for the Australian economy to operate in. It will impair confidence, longer term planning and investment. The loss of which to the economy becomes a drain on future growth.

Australian company shares are supported by Australian investors, many of whom are retirees who rely on the franking system to supplement the income they receive in retirement, without which they will cease to invest in Australian companies, limiting capital available for those companies to grow and provide employment to others. Our tax system needs to encourage growth, innovation and retention of investment funds here in Australia,

in order to maintain the quality of life Australian's currently enjoy and would like to in the future. Every impediment to investment and genuine growth, limits Australia's future potential. The Government's and the tax system's role, should be to encourage and support this growth. The Government and Australian Taxation Office need to work in partnership with business for the benefit of Australia long term.

Please give detailed consideration to the impacts, spill overs and externalities generated by the proposed legislation. They are significant and should not be underestimated.

Yours sincerely,

David Forrest